Chapter 2: The CARES Planning Process

Phased Application Chosen to Facilitate Adjustments

Managing the capital assets of the nation's largest health care system is a complicated prospect by any measure. The CARES mission was to reform this undertaking into an objective process using unprecedented levels of data sophistication, systematic evaluation, and stakeholder involvement, integrated into a comprehensive 20-year look at VA's capital asset needs.

Anticipating that such an innovative methodology would benefit significantly from the ability to make adjustments after an initial trial, VA leaders chose a phased approach to designing and implementing CARES. Phase I was a pilot test of the process conducted by a contractor working with a single VA health care network (VISN 12); in Phase II, the refined CARES process was applied within the remaining 20 VISNs comprising the balance of the VA health care system.

The second, larger effort took place under the guidance of the National CARES Program Office (NCPO), but represented an intensely collaborative effort within the Veterans Health Administration, as well as with the other two VA Administrations, other VA support staff and many other organizations. The staff of the VISNs, in particular, played a key role in the process, and notable contributions were made by VA experts from special disability programs.

Pilot Experience Yields Local Action, Improvements to National Plan

In accordance with OMB guidelines[1], the CARES process focuses on markets – or distinct veteran population areas. The Phase I pilot identified three market areas: the Chicago area, Wisconsin and the Upper Peninsula of Michigan.

In this initial effort, the contractor[2] developed a data driven, predictive methodology to assess veterans' health care needs in the test market, and then formulated various solutions that could meet those needs. Following a detailed review process, the contractor recommended options to the Secretary of Veterans Affairs. After consulting with stakeholders, the Secretary of Veterans Affairs made a decision to realign capital assets in the VISN 12 market areas.[3] The final results of CARES Phase I were announced in February 2002.

In preparing for CARES Phase II (extension of the refined methodology to all markets within VHA's remaining 20 VISNs), VA leadership decided that VA personnel, rather than contractor staff, would coordinate and carry out the planning process. The conversion from a contracted study in one VISN, to a VA-operated planning process extended to the entire system, went well beyond the scope of the pilot. The extensive

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[1] OMB Capital Program Guide, Version 1.0 (Washington, D.C.; July 1997).
[2] Booz, Allen Hamilton
[3] Actions included: consolidation of inpatient activities at two Chicago VA facilities; conversion of Lakeside VA Medical Center to a long-term care facility; expansion of access to VA outpatient facilities in the market.

revisions of the CARES process included not only substantive data validation issues, such as updating enrollment projections, but also refining utilization projections, creating a standardized costing and workload allocation tool, assessing all space in VHA facilities and developing new projection methods for special disability programs. In effect, CARES Phase II piloted a new process that would be subsequently integrated into a redesigned strategic planning process.

The challenge of developing a national process while recognizing that health care is delivered through local systems required a new approach that included the following elements:

- Use of national databases and methodologies to determine current and future needs;
- The assessment of all space in VHA for its safety and functionality;
- National definition of the planning initiatives to be addressed by VISNs;
- VISN development of plans that address the planning initiatives;
- Standardized planning support systems and data for plan development and costing to ensure consistent results;
- Policy and tools that supported local and national stakeholder involvement;
- On-site technical support to the VISNs for plan development; and
- Detailed national review process to create a national plan from the VISN plans.

The CARES process was significantly strengthened by NCPO's refined forecasts of future veteran health care needs, based on projected demand data provided by a national actuarial firm, in conjunction with veteran population data from VA's Office of the Actuary. The VISNs used these data and an innovative planning application designed by the VA and developed by IBM[4] to develop solutions to meet those needs.

A notable enhancement in the Phase II planning model was increased commitment to the aggressive, systematic inclusion of stakeholders. The requirement for in-depth communications with vitally interested publics at national, regional and local levels was integral to the process. Multiple modalities and media were designed and used to inform stakeholders about CARES in general and to solicit their comments on potential changes in respective markets in particular.

Nine-Step Planning Model

The enhanced CARES model comprised a nine-step process designed to ensure consistency in the development of CARES Market Plans within each VISN.

Step 1: Identify Market Areas as the Planning Unit for Analysis of Veteran Needs

The VISNs identified market areas based on standardized data for veteran population, enrollment, and market share provided by NCPO. Each network also used local

[4] U.S. Department of Veterans Affairs: Cares Web-Enabled Template, developed by PricewaterhouseCoopers (PwC), under contract to IBM Corp. Process is fully explained and documented in References Section.

knowledge of their unique transportation networks, natural barriers, existing referral patterns and other considerations to help select their market areas (Appendix C).

Step 2: Conduct Market Analysis of Veteran Health Care Needs

A national actuarial firm – referred to hereinafter as CACI/Milliman[5] – that had developed enrollment, workload and budget projections for VA budget development, under VA direction modified the model to develop standardized forecasts of future enrollees and their utilization of resources from 2002 through 2022 for each market area in all VISNs. Translation of the data into the following VHA CARES Categories facilitated the identification of "gaps" between current VHA services and the level or location of services that will be needed in the future. These were "high level" macro categories that would enable planning to occur at a level of detail adequate for capital needs rather than detailed service-level planning (Appendix L):

Inpatient Medicine	Outpatient Primary Care
Inpatient Surgery	Outpatient Mental Health
Inpatient Psychiatry	Outpatient Specialty Care
	Outpatient Ancillary and Diagnostic Care

The CACI/Milliman model also projected workload demand in the following categories, which were not used to identify gaps because private sector benchmark utilization rates were not available to validate results:

Residential Rehabilitation	Domiciliary
Intermediate/Nursing Home Care	Blind Rehabilitation
Spinal Cord Injury	

Since the statistical model's data validation on these non-private sector services was not adequate for objective planning, these categories were either removed from the Phase II cycle (i.e., held constant) or, as in the case of Blind Rehabilitation and Spinal Cord Injury, alternative forecasting models were developed outside of the CACI/Milliman model. Teams of VA planners and VHA experts from the concerned special disability programs collaborated to produce these unique projections. (Chapter 7 of this plan details CARES planning for special disability programs.) Data on the current supply and location of VHA health care services was collected for all facilities, markets and VISNs (Appendix O). In most instances, FY 2001 was used as the source year for baseline data. A profile was created for each VISN and made accessible to VHA staff on a web site established as the repository for all CARES data. Baseline data included:

- Space (condition, capacity and current vacant space)
- Workload (FY 2001 bed days of care and clinic stops)
- Unit Costs (facility specific in-house and contract unit costs)
- Special Disability Population Data
- Access Data

[5] Primary contractor on the project evolved from Condor Technology Solutions, to CACI Inc., to Milliman USA, Inc.; for purposes of this plan, referred to as "CACI/Milliman"

- Facility List
- Research Expenditures and Academic Affiliations
- Clinical Inventory
- Potential DoD, VBA and NCA Collaborations
- Enhanced Use Lease Valuations
- Summary of VISN FY 2003/FY 2007 Strategic Plans

Step 3: Identify Planning Initiatives for Each Market Area

Data collected in Step 2 made it possible to directly compare current access and capacity, with quantitative projections of future demand. "Gaps" in service were indicated in any market where actual utilization in FY 2001 was significantly less than utilization projected for FY 2012 and FY 2022.

Such gaps in various market areas formed the basis for the development of "planning initiatives" -- essentially a description of the potential future disparity between capacity and need. Since the time horizon was 10 to 20 years in the future, and the longer the future forecast, the greater the uncertainty, only the large capacity gaps, i.e., 25 percent gaps meeting at least minimum volume thresholds, were generally selected.

Planning Initiative Selection Teams were formed, including members from the NCPO, the VISNs, representatives from VA's special disability programs, and the VISN Support Service Center (VSSC). The teams reviewed each overlap or gap in supply and demand data, selecting planning initiatives for each VISN and Market Area based on established criteria for planning remedial action.[6] Planning Initiatives were identified in the following areas:

Access to Health Care Services
Outpatient Capacity (Primary Care, Specialty Care, Mental Health)
Inpatient Capacity (Medicine, Surgery, Psychiatry)
Special Disabilities (Blind Rehabilitation, Spinal Cord Injuries and Disorders)
Small Facilities
Consolidations and Realignments (Proximity)
Vacant Space
Collaborative Opportunities (DoD, VBA, NCA)

In addition to the Planning Initiatives, all workload changes that resulted in gaps between predicted demand and current supply were required to be managed in the market plans. Workload had to be managed (i.e., accounted for in the plan with a determination of where and how services would be provided) at the market or VISN level. Options for managing workload included in-house provision of services or by contracting, sharing, or other arrangements. The requirement to manage all projected workload was a significant addition to the planning process, which was included in order to assure that all space needs were addressed in the National CARES Plan.

Final planning initiatives are summarized in Appendices D through G.

[6] Planning Selection Criteria can be found in the Reference Section

Step 4: Develop Market Plans to Address Planning Initiatives and All Space Requirements

The selected planning initiatives formed the key elements of the VISN CARES Market Plans. All VISNs developed market plans, which included a description of the preferred solution selected by the VISN for all planning initiatives identified in every market as well as potential solutions considered to address each planning initiative.

VISN planning teams were expected to identify alternative solutions for their plan development process. In proposing these various alternative solutions, VISN planners were required to assemble specific supportive data, which were entered into the IBM-developed market-planning tool. The standardized algorithms in the market planning tool assured a consistent methodology for analyzing each solution's impact on workload, space and cost, as well as other CARES criteria such as quality, access, community impact, staffing and others. Since all space planning is relational and requires a comprehensive solution, all workload gaps were accounted for in the VISN plans. The allocation of expected workload demand and space needs were resolved in addition to the planning initiative gaps.

Thus, all VISNs used the same criteria and planning tool (using local operating and capital costs) to determine the relative merits of meeting future demand via contract, renovation of available space, new construction, sharing/joint ventures/enhanced use or acquiring new sites of care. VISNs briefed stakeholders on their planning initiatives, and presented their proposed solutions. Comments and other feedback from stakeholders were duly noted for incorporation into the planning process.

Step 5: VACO Review and Evaluation: Developing the Draft National CARES Plan

The VISN plans served as input to the development of the Draft National CARES Plan. The Draft National CARES Plan is not a compilation of individual VISN plans. It represents a comprehensive series of national decisions made after reviewing the individual VISN Market Plans. Each VISN CARES Market Plan was subjected to extensive review by three review groups before ultimately being considered by the Under Secretary for Health for inclusion in the Draft National CARES Plan. These review organizations were the NCPO-organized field and headquarters review teams, the Clinical CARES Advisory Group (CCAG) and the CARES Strategic Resource Group (also known as the "One VA Committee.") The clinical experts (CCAG) provided the most rigorous review and comments on issues with medical and other direct care (including mission-related) implications, while the Strategic Resource Group took a more generalized management approach, looking especially closely at matters concerning collaboration with other departments or administrations.

The NCPO performed a comprehensive and intensive review, assembling review groups to look at similar types of planning initiatives from all VISNs, assuring a structured assessment that was consistent across the VA system as well as an overall assessment of whether the individual solutions within a market added up to a sensible market plan. In many instances, VISNs accepted recommendations from these review groups to change initially proposed solutions to planning initiatives; in all instances, the

feedback from the review groups became part of the record included with the VISN CARES Market Plans.

The next stop for each VISN CARES Market Plan was the Under Secretary for Health, who reviewed them and accompanying comments from the diverse review groups and stakeholders. As a result of the Under Secretary for Health's review of the adequacy of the market plans, VISNs were required to review the potential realignment of specific facilities/campuses and to consider the feasibility of conversion from a 24-hour/7day-per-week operations to an 8-hour/40-hour-per-week type of operation. The rationale for the requested review was to fully assess the potential to consolidate space and improve the cost effectiveness and quality of VA's health care delivery. The guidance included the continuation of all services to veterans as part of the realignment review. The results of this initiative were incorporated into the draft National CARES Plan.

The product of the Under Secretary's review process and policy decisions formed the draft National CARES Plan. Executive summaries of the VISN plans as amended by the National CARES Plan are included as Appendix A.

Step 6: Independent Commission Review

The Secretary of Veterans Affairs appointed an independent CARES Commission comprised of knowledgeable, well-respected executives from outside VA, to review and recommend action on the draft National CARES Plan.

The Under Secretary for Health delivered the draft National CARES Plan to the Secretary of Veteran Affairs, who then transmitted the draft National CARES Plan to the CARES Commission for review. The Under Secretary for Health published the plan in the *Federal Register*, and made a copy of the plan and all appendices available on the CARES website, making this information available to the general public. The Commission will conduct public hearings within each VISN to obtain direct stakeholder feedback on the National CARES Plan.

The publication date in the Federal Register for the Draft National CARES Plan officially begins a 60-day public comment period, during which interested parties may submit their views in writing to the Commission, addressed to: The CARES Commission, 810 Vermont Ave., N.W., Wash., DC 20420.

The Commission is expected to carefully consider the views and concerns of all stakeholders, including veterans service organizations, medical school affiliates, local community groups and government entities.

At the conclusion of the public comment period, after considering these final contributions of views, and having thoroughly considered the draft plan and all relevant commentary and documentation, the CARES Commission will accept, reject or modify the draft National CARES Plan and make final recommendations to the Secretary.

Step 7: Secretary of Veterans Affairs Decision
The Secretary of Veterans Affairs will consider the Commission's recommendations and supporting comments regarding the Draft National CARES Plan, and make a determination to accept, reject or ask the Commission to consider additional information prior to his final decision.

Step 8: Implementation
VISNs will prepare detailed implementation plans for their CARES Market Plans, as directed by the Under Secretary for Health. The implementation plans will subsequently be submitted to the Under Secretary for approval. Approved market plans will be used by VISNs to develop capital proposals that will be selected for funding through a capital prioritization process that is linked to the CARES process and to subsequent strategic planning cycles.

Step 9: Integration into Strategic Planning Process
As VISNs proceed with the implementation of their CARES Market Plans, the planning initiatives and proposed solutions will be refined and incorporated into the annual VHA strategic planning cycle. The integration of capital assets and strategic planning will ensure that programmatic and capital implementation proposals are integrated into current VHA strategic planning and resource allocation. The alignment of policy assumptions and strategic objectives will thus focus an integrated planning process.